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Executive Secretary  
 [Signature]  
 Date

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THE WHITE HOUSE  
WASHINGTON

Executive Registry  
83-0989

**CABINET AFFAIRS STAFFING MEMORANDUM**

DATE: 2-18-83 NUMBER: 118510CA DUE BY: \_\_\_\_\_

SUBJECT: Cabinet Council on Commerce and Trade with the President

Tuesday, February 22, 1983 2:00 p.m. Cabinet Room

	ACTION	FYI		ACTION	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input type="checkbox"/>	Baker	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Clark	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Darman ( <i>For WH Staffing</i> )	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Harper	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Jenkins	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Interior	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Education	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCCT/Gunn	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input type="checkbox"/>	<input type="checkbox"/>
CEO	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/Boggs	<input type="checkbox"/>	<input type="checkbox"/>
OSTP	<input type="checkbox"/>	<input type="checkbox"/>	CCHR/Carleson	<input type="checkbox"/>	<input type="checkbox"/>
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_____	<input type="checkbox"/>	<input type="checkbox"/>	CCMA/Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>
			CCNRE/Boggs	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: The President will chair a meeting of the Cabinet Council on Commerce and Trade Tuesday, February 22, 1983 at 2:00 p.m. in the Cabinet Room. The agenda and paper are attached. The agenda will be Trade Reorganization, CM 350.

DCI  
EXEC  
REG

RETURN TO:  Craig L. Fuller  
Assistant to the President  
for Cabinet Affairs  
456-2823

Becky Norton Dunlop  
Director, Office of  
Cabinet Affairs  
456-2800

THE WHITE HOUSE  
WASHINGTON

CABINET COUNCIL ON COMMERCE AND TRADE

February 22, 1983

2:00 p.m.

Cabinet Room

AGENDA

1. Trade Reorganization (CM#350)

Approved For Release 2008/08/20 : CIA-RDP85-01156R000100090009-9

CM # 350

THE PURPOSE FOR THIS MEETING IS TO REVIEW THE EXISTING SITUATION REGARDING TRADE ACTIVITIES IN THE FEDERAL GOVERNMENT INCLUDING:

- History of USTR, ITA, etc.
- Political/operational pressures for change
- Options to be considered, if change is made
- Next steps

And to come up with a decision on next steps or strategy.

February 4, 1983

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- I. The Special Trade Representative was established by Congress in 1962 in order to provide White House coordination of the many trade activities of the Federal government.
- . The Trade Expansion Act of 1962:
    - Established the Office of the Special Representative for Trade Negotiations with Ambassadorial rank for the Special Representative.
    - Provided for interagency coordination of U.S. trade policy under the Trade Policy Committee.
    - Congressional intent included:
      - taking trade negotiating lead away from the State Department to encourage a tougher U.S. bargaining position.
      - assume quick access to the President on trade issues.
      - assume balanced reflection of views of other concerned agencies.
  - . The Trade Act of 1974 elevated the Special Representative to Cabinet rank.
  - . The Trade Act of 1979 and Reorganization Plan #3:
    - Broadened the trade policy development responsibility of STR and changed the name to the US Trade Representative.
    - Consolidated major trade policy functions under USTR including:
      - . East-West trade policy from Treasury
      - . Trade-related investment from Treasury
      - . Export expansion policy from Commerce
      - . Energy trade issues from DOE
    - Centralized enforcement and trade administration responsibilities under ITA in Commerce including:
      - . Subsidies and anti-dumping investigations from Treasury
      - . National security (Sec. 232) investigations from Treasury
      - . Foreign Commercial Service from State
  - . USTR has lead responsibility for the conduct of all international trade negotiations.

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- . Commerce has lead responsibility for export and import regulation and trade promotion.
- . Treasury has lead responsibility for official export credit negotiations.
- . Agriculture has a lead role in negotiations to increase farm exports.

II. While some of the Consolidations have helped provide high visibility and coordination of Federal government trade activities -- there are still problems. Also there are Congressional pressures for change.

- There is a growing importance of trade-related activities in the U.S. economy -- probably due to recession and partly due to importance of trade, which now equals 12% of GNP.

- Future challenges -- the growing threat of protectionism and state of U.S. competitiveness in the world economy has prompted proposals to improve our trade organization

-- Causes of pressure for protectionism:

- structural adjustment in basic industries;
- debt constraints of developing countries;
- currency instability;
- worldwide recession;
- increasing foreign government intervention in trade;
- domestic pressure generated to act in specific sectors (local content legislation) or against specific countries (Japan, Canada, Mexico)

-- Major legislative initiatives include:

- local Content bill (H.R. 1234)
- reciprocity bill (S 144)
- many agricultural subsidy bills
- easing import relief laws

- There are increasing congressional initiatives to also change the trade structure:

- Roth hearings are scheduled for March 1. The Roth bill combines USTR, ITA, Eximbank, OPIC, and economic affairs responsibilities; Department of Commerce with residual elements would continue
- Garn hearings held this week. The Garn bill would create a new agency called the Office of Strategic Trade, taking the export control functions from Commerce and the munitions control function from State.
- Hill and business consultations show a general interest and support for a trade initiative, which may have organizational implications.
- The current structure, when adopted in 1979, was widely viewed as a transition to a more consolidated form.

- . Beyond the Congressional pressures, there appears to be a real problem in trade activities within the existing structure:
  - Commerce took the lead in steel negotiations despite nominal USTR lead in negotiations
  - Multiple Administration voices confuse U.S. response to foreign export subsidies
  - There appears to be bureaucratic overlap and competing institutional interests complicate policy coordination.
  - We need to integrate formal policy role with institutional authority and resources.
  - There is no focal point for domestic or foreign trade constituencies.
- . Most of our major trading partners have a single unified trade entity (Summary attached).

III. There are currently ten primary Federal government organizations involved in trade policy, negotiations, implementation, and regulation.

- . Naturally, USTR has the lead for trade policy and negotiations -- but there are multiple channels that they must go through for policy formulation and approval -- including:
  - TPC
  - CCCT
  - SIG-IEP
  - OPD, OMB, NSC, etc.
- . In addition, both Ambassador Brock and Secretary Baldrige stated that the continual coordination of trade policy, negotiations and implementation is inefficient and time-consuming because:
  - process is more complex than necessary
  - organizational responsibilities are diffused.
- . There are currently 38,600 people and \$7.5 billion dedicated to trade activities yearly across ten agencies.
- . Internal problems also cause some confusion to American companies, trading partners, and others.
- . The table on the next page displays the roles of the ten Federal agencies in six functional areas of trade.

## CURRENT INTERNATIONAL TRADE ORGANIZATIONS AND FUNCTIONS

Agencies:	Commerce	USTR	Eximbank	OPIC	State	Treasury	ITC	Defense	Labor	Agriculture
<b>Functions:</b>										
Policy Development	●	★	○	○	●	●	○	○	○	●
Negotiations	●	★	○	○	●	●	○	○	○	●
Implementation/Analysis	★	●	○	○	●	●	●	○	○	★
Export Regulation	★				●	●		●		○
Import Regulation	★	★				●	○	○	○	●
Trade Promotion/Financing	★	○	●	●	○	●				★
<b>Resources (FY83 Est.)</b>										
<b>Direct:</b>										
BA (\$ Millions)	137	10	5,670	63	21	530	20	N/A	—	80
FTE	2,490	131	344	136	283	12,581	440	N/A	—	762
<b>Trade-Supportive:</b>										
BA (\$ Millions)	616	—	—	—	387	18	—	—	3	—
FTE	15,926	—	—	—	5,303	300	—	—	20	—

Legend: ★ = Formal Lead Role      ● = Major Role      ○ = Supporting Role

- Total estimated FY 1983 investment is over 38,600 people and 7.5 billion dollars.
- There are a number of leading and major roles in trade.
- Responsibility and authority are diffused; there is no focal point for trade constituencies.

CURRENT INTERNATIONAL TRADE ORGANIZATIONS AND FUNCTIONS

<u>ORGANIZATION</u>	<u>FUNCTIONS</u>	<u>RESOURCES</u>	
		<u>Budget Authority</u> <u>Millions)</u>	<u>Personnel</u> <u>(FTE)</u>
Commerce			
o International Trade Administration	o Trade policy development o Export promotion o Export control o Import administration including anti-dumping, countervailing duty enforcement o Trade policy/implementation/analysis o Trade negotiations	\$ 137	2,490
o Bureau of Industrial Economics	o Industry-specific data and analysis	9	174
o Bureau of Economic Analysis	o Aggregate economic performance data and analysis o Balance of payments and foreign investment reporting	19	455
o Bureau of the Census	o Economic and demographic censuses o Merchandise export and import data o Surveys of business and agriculture	245	8,481
o Productivity, Technology and Innovation	o Assessment of competitiveness of U.S. industries o Private sector productivity and innovation analyses o Domestic and international economic and technological information to business	34	450

## CURRENT INTERNATIONAL TRADE ORGANIZATIONS AND FUNCTIONS

PAGE 2

<u>ORGANIZATION</u>	<u>FUNCTIONS</u>	<u>RESOURCES</u>	
		<u>Budget Authority</u> <u>(Millions)</u>	<u>Personnel</u> <u>(FTE)</u>
Commerce (Cont'd)			
o Travel and Tourism Administration	o Promote travel to U.S.	8	68
o National Telecommunications And Information Administration	o National and international telecommunications policy	27	285
	o Telecommunications research and spectrum management		
o Institute for Computer Services and Technology	o Research and standards in computer sciences	10	92
o Product Standards	o National and international standards policy - GATT Code	1	10
o Patent and Trademark Office	o Issues patents and trademarks	153 (Incl. fees)	3,011
o National Bureau of Standards (less ICST, OPSP)	o Basic engineering and measurement research and dissemination standards	110	2,900
USTR	o Trade policy development	10	131
	o Leads trade negotiations		
Labor			
o International Affairs	o Trade policy support vis-a-vis workers	3	20
	o Participation in international labor organizations		
o Trade Adjustment Assistance	o Administers TAA to workers	0	0

<u>ORGANIZATION</u>	<u>FUNCTIONS</u>	<u>RESOURCES</u>	
		<u>Budget Authority</u> <u>(Millions)</u>	<u>Personnel</u> <u>(FTE)</u>
Agriculture			
o FAS	o Agricultural export promotion o Agricultural trade policy support o Manages PL-480, Commodity Credit Corp., Export Credit Sales	79	762
Defense	o Export control/trade policy support	--	--
State			
o Economic and Business Affairs	o Policy support on foreign economic, trade, finance, aviation, maritime, telecommunications, energy, resource and food policy	9	225
o Oceans and International Environmental and Scientific Affairs	o Nuclear export control/non-proliferation; science and technology programs	7	144
o Overseas Private Investment Corp.	o Political risk insurance o Investment financing	62	136
o Trade and Development Program	o Grants for project feasibility studies	10	18
o Politics-Military Affairs	o Administers Arms Export Control Act	6	120
o Agency for International Development	o Funds development assistance projects	376	5,069

CURRENT INTERNATIONAL TRADE ORGANIZATIONS AND FUNCTIONS

PAGE 4

<u>ORGANIZATION</u>	<u>FUNCTIONS</u>	<u>RESOURCES</u>	
		<u>Budget Authority</u> <u>(Millions)</u>	<u>Personnel</u> <u>(FTE)</u>
Treasury			
o International Affairs	o Policy support on trade, economic, finance, and monetary policy	18	300
	o Joint commissions		
o Customs	o Collects tariffs; enforces customs laws	530	12,581
	o Export enforcement support		
ITC			
	o Investigates import relief cases	20	440
	o International trade studies		
	o Publishes tariff schedules		
Ex-Im Bank			
	o Finances exports through loans	5,666	344

OTHER PROGRAMS OF THE DEPARTMENT OF COMMERCE

<u>ORGANIZATION</u>	<u>FUNCTIONS</u>	<u>RESOURCES</u>	
		<u>Budget Authority (Millions)</u>	<u>Personnel (FTE)</u>
o National Oceanic and Atmospheric Administration	o Fisheries management	927	14,511
	o Weather forecasting		
	o Research and charting programs		
o Minority Business Development Agency	o Promote minority business ownership through technical and management services	48	267
o Economic Development Administration	o Grant and business loan assistance for distressed areas	193	434

IV. The point we find ourselves at now is that a strategic decision on some Administration actions should be made soon.

- . There is no question that there is growing pressure in the Congress and the business community for protectionism and/or a major trade initiative.
- . This pressure could be reduced as the economy rebounds -- but there may or may not be time to avoid Congressional action.
- . Plus, there may be enough of a requirement for change to improve our process and organization to be worth the considerable effort to make the improvements. This change could be part of an overall Presidential trade initiative with the resultant positive P.R. and a better chance of affecting legislative initiatives.
- . But, it will involve an effort that should be carefully considered and would involve investing political capital.
- . Basically, our options include:
  - . Do nothing now and make a decision that we will not support current Congressional initiatives.
  - . Do nothing now -- Await Congressional initiative via Roth legislation and support or negotiate changes after evidence of Congressional interest. This may be safest course but puts us in a position of reacting and perhaps losing the initiative.
  - . Take the initiative and propose:
    - Modest changes to present organization and policy process (e.g., reorganize around existing USTR).
    - Major changes by consolidating trade functions through significant reorganization. This has several levels of possible change that should be more carefully reviewed (e.g., should Eximbank and OPIC be included?)
- . If a decision is made to do nothing now -- no need to proceed through following pages. If you decide to take the initiative, go to next page.

V. There were several trade reorganization alternatives considered at the last meeting

- . First of all, there was general agreement that the "process" of deciding policy had to be improved and/or simplified. Ed Harper and Craig Fuller are to review and recommend changes.
- . Next, four reorganization alternatives were presented and discussed. Two were discarded:
  - Merge USTR into Commerce - this was considered to be politically impossible.
  - Create a separate narrow-based department focused solely on trade - this was rejected because it would add another department/agency and would leave Commerce without much purpose. This is probably close to the Roth bill.
- . The two reorganization alternatives that were reviewed in more detail included:
  - Merge ITA into USTR within existing EOP structure
  - Consolidate USTR, ITA, and, selectively, other trade-related agencies in a new department, and transferring other Commerce functions elsewhere.

VI. If we are to recommend a reorganization -- there are advantages/disadvantages towards both alternatives -- one based on the EOP -- the other on a new Department of Trade.

OPTION I. Consolidate all trade policy-making responsibilities and the ITA under USTR which would create a strengthened USTR and permit centralization and simplification:

Pro:

- . Shows a level of priority and sensitivity by the President on the trade issue.
- . Could result in the President taking the lead on Congressional legislation that will probably pass anyway.
- . Extends "prestige" of EOP to an expanded trade function.
- . Avoids conflict of trade policy being directly under the department promoting domestic industry (versus Option II).
- . Strengthens the coordination of trade policy and alleviates problem of duplication of trade policy functions.
- . Preserves flexibility and creativity made possible by a relatively compact and homogeneous organization.
- . Redirects resources from bureaucratic infighting and duplication to productive uses.
- . Could possibly result in reduced budget outlays and personnel ceilings.

Con:

- . Expands the EOP by at least 2490 FTE (150% increase) and into management of line operations and geographically dispersed offices.
- . Addition of further operational responsibilities to an office whose primary responsibility is policy development and coordination.
- . Would still leave a few major areas of trade policy functions in other departments.
- . Leaves Commerce without a strong mission.
- . Separates domestic and international business issues.
- . Does not include potential consolidation of agricultural with industrial trade issues.

OPTION II. Establish a new Department of Commerce and Trade using the Existing Department of Commerce as the primary organization.

This new department would include, at a minimum the ITA and OCE from Commerce and the USTR. It could include other Commerce functions, Ex-Im and OPIC. A chart showing the options in increasing order of complexibility and/or political difficulty follows these pages.

Pro:

- . Shows a level of priority and sensitivity by the President on the trade issue.
- . Could result in the President taking the lead on Congressional legislation that will probably pass anyway.
- . Integrates formal policy role with implementation of policy.
- . Provides a single organization that focuses on American business - domestic and international.
- . Reduces forum shopping by foreign governments, business and other Executive Branch agencies. Sends signal to our foreign competitors of new seriousness and toughness on trade issues.
- . Redirects resources from bureaucratic infighting and duplication to productive uses.
- . Eliminates the natural tendency of the two main trade agencies to mirror each other.
- . Could possibly result in reduced budget outlays and personnel ceilings.

Con:

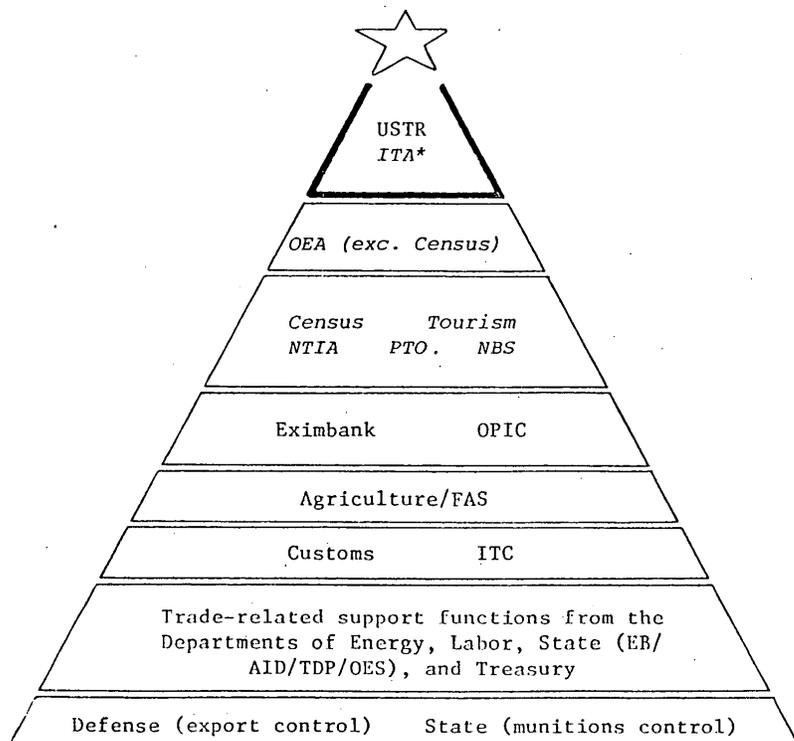
- . Eliminates pressure and "prestige" of EOP in trade responsibility.
- . Merging trade responsibilities in a line agency could be viewed as downgrading trade.
- . The new department may have difficulties in being an "honest broker" for international vs. domestic issues.
- . This could require a spin-off of non-trade Commerce functions to other Executive Branch settings -- this is a more complex and time consuming option. This would require substantial Congressional approvals; there are risks of losing Administration control of organizational change.

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- . This could result in some short-term program management disruption.
- . Committee jurisdictions must be considered. Adding Ex-Im Bank and OPIC, for example, would increase Congressional turf rivalries (See Attachment D)
- . USTR has strong credibility with the Congress.

## BUILDING THE DEPARTMENT OF TRADE

### THE INCREMENTAL APPROACH TO FUNCTION AND SCOPE



#### Benefits to adding incremental units

Merge two principal trade policy entities and link policy-making with implementation/analysis and trade programs

Strengthen links between trade policy and industry analysis

Merge trade-supportive DOC units and DOC statistical elements into the Department of Trade

Link export financing programs directly with policy and trade promotion

Merge agriculture trade policy support and trade programs into the Department

Add important import and export regulation functions to the Department

Complete unification of all civilian trade policy-making, implementation and programs

Unify all trade policy-making, implementation, regulation and programs into a single department

\* Units designated in *ITALIC TYPE* are currently in DOC; entities now in DOC that are to be spun-off (not included in the new Department) include NOAA, MBDA, and EDA.

ACRONYMS USED ON TRIANGULAR CHART  
(In Order)

USTR	United States Trade Representative
ITA	International Trade Administration
OEA	Office of Economic Affairs
NTIA	National Telecommunications and Information Administration
PTO	Patent and Trademark Office
NBS	National Bureau of Standards
Eximbank	Export-Import Bank
OPIC	Overseas Private Investment Corp
FAS	Foreign Agricultural Service
USITC	United States International Trade Commission
AID	Agency for International Development
TPD	Trade and Development Program
EB	Economic and Business Affairs
OES	Oceans and International Environmental and Scientific Affairs

Footnote:

NOAA	National Oceanic and Atmospheric Administration
EDA	Economic Development Administration
MBDA	Minority Business Development Agency